

Study on the Effect of Covid -19 on The Indian Economy (The Rate of Exchange)

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Abstract

The study of the impact the economic variables and the foreign exchange rate on macroeconomic factors like GDP, which is studied through a separate model. The results will be indicate the money supply, short run yield differentials, CAD and inflation differential are not statistically the reasons for change in the exchange rate. The rate of increase in exchange rate does not have a contribution in a big increase in the GDP because the exchange the rate has as optimistic impact on both import and export. The GDP will increase by a big amount only when the depreciation of rupee will cause decrease in export and increase in import. As import has a positive correlation with exchange rate, the net export value has decreased

Keywords: Macroeconomic factors, Exchange rate, GDP, Current Account Deficit (CAD), import, export

Introduction

The Covid – 19 pandemic has been jointed the global economy within a short span of time, many countries around the world have been obligated to impose, travel restrictions, borer shutdowns, lockdowns and social distancing in order to control the pandemic insulation. These measures have been severe impacts on supply channels, economics activities and international trade at all scales. The Exchange rate is value between one nation's currency to another nation or economic time zone. The exchange rates are mostly free floating which means that the rate may increase or decrease or in market language rise and fall, according to the demand in the market. Some currencies are not free-floating and have certain restrictions to be followed.

Need of the study

A study on the rate of exchange will help us understand how the exchange market works and how we have to take care of the changes in the exchange market rate relating to the rate of all currencies and the exchanges in many countries. Here we are discussing about the Indian economy in general and we will be focusing on the Indian economy alone and how it has its relations with other country's economies and rate of exchanges

Objectives of the study

Primary objective:

- To understand the effect COVID-19 has had on the business industry of our country.
- To study the changes in the rate of exchange and analyse the changes it has brought to the economy of India.

Secondary objectives:

- To identify how many families in India own a business and which industry does their business falls into.
- To analyze if COVID-19 has brought any changes to the lifestyle of the families in India.

- To study if businesses were able to make changes to their product or service post COVID-19 lockdown

Limitation of the study

- (a) Fall in the volume of international trade market,
- (b) Black-marketing in forcing exchange in the unofficial markets, and
- (c) Smuggling of foreign exchange and export of capital even under the strict.

Exchange control as a short-term and transitory measure may be beneficial to a country suffering from the balance of payments crisis. But it should not be allowed to continue for a long time in the broader interest of multilateral trade. This is why the WTO is against it

Review of Literature

Faheem Aslam, Saqib Aziz, Duc Khuong Nguyen, Khurram .S. Mughal and Maaz Khan (2020), The Paper was the efficiency of foreign exchange markets in time of Covid-19 pandemic which explained how the forex markets was working during the pandemic in the initial period of the corona virus disease 2019. Which disrupted the international financial markets. They used high-frequency (5-min interval) data of six major currencies traded in forex markets during the pandemic period October 1, 2019 to 31 March 31, 2020. Before applying MF-DFA, they examined the inner dynamics of multifractality through seasonal and trend decompositions using loess.

Sheetal Maurya (2017), the paper is on factors affecting the exchange rate and its impact on economy of India in which she investigates the impact of various economic variables on rupee-USD exchange rate. The effect of exchange rate changes on GDP is also studied through a separate model.. Results indicate that money supply, short run yield differentials, CAD and inflation differential aren't statistically significant determinants of exchange rate. The R-square of the regression model comes out of 86.5%. Further, impact exchange rate on economic growth is examined using GDP as the parameter to judge the economic growth

Pooja Misra and Jaya Gupta (2017), USD- INR Exchange Rate Movements: An Empirical Analysis of Macroeconomic Determinants "Exchange rate plays a key role in any country's trade levels. During this times of high volatility, the Reserve Bank of India steps in through its regulatory and policy measures and focuses on reducing the fluctuations. The factors impacting exchange rate have been a topic of detailed study not only for policy making circles but also for business houses. Industry tries to hedge the exchange rate risk via financial instruments. India being an open economy, liberalization has offered an international platform to companies to operate

Prof. Pareshkumar J. Patel, Dr. Narendra J. Patel and Dr. Ashok R. Pater (2015), this paper on the topic for "Factors affecting Currencu Exchange Rate, Economical Formulas and Prediction Models" graph of Currency trading has increased dramatically in last few years in India, so the need for more effective ways for better analysis of movements in currency has been arise. Currency is highly uncertain and unpredictable instrument. There are ample of factors affecting movement of currency. People have beeb started using Currency futures as an investment option and they can trade the various currencies as per the current economical condition of the country

Vinod Bhatnagar (2013), the paper is on macroeconomic factors affecting foreign exchange market in India, its aims to investigate empirically the impact of foreign exchange rate on macroeconomic factors, viz. GDP and Inflation in India over the period of 1990-2010. The multiple regression tests were used in order to analyze the causal relationship among foreign exchange rate, GDP and Inflation. It was found that there is

no significant relationship among the foreign exchange rate, GDP and Inflation. Our empirical findings suggest that there are some other factors which impact foreign exchange rate in India.

Research Methodology

Sample Design

Population: Business families in India.

Sampling Unit: The families in India who own a business.

Sampling Size: Sampling size of 100 respondents of random people.

Sampling Method: Random Sampling method used for this study.

Tools for analysis : 1. Chi-Square test 2. Anova

Analysis and Discussion

Chi-Square Test :

Relationship between the number of people having a business and what industry the business fall into.

Null hypothesis (H0)

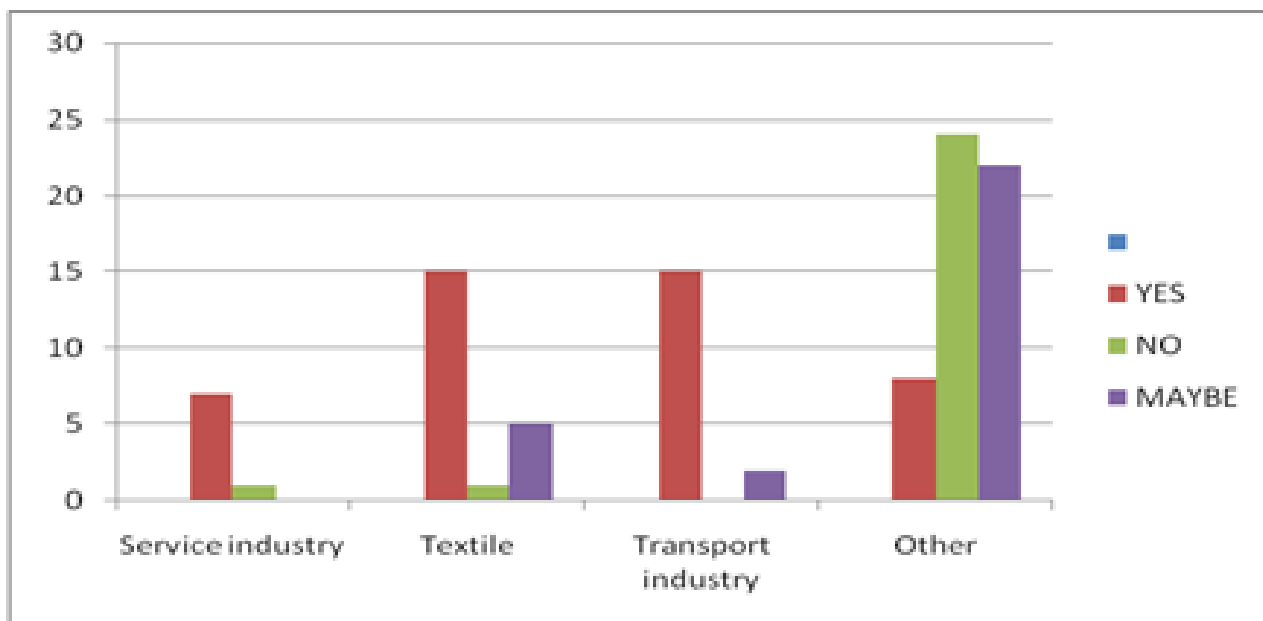
There is no significant difference between the no. of families having a business and the industry they fall into.

Alternate hypothesis (H1)

There is significant difference between the no. of families having a business and the industry they fall into

WHAT INDUSTRY DOES YOUR BUSINESS FALL INTO					
Do you have a business?	Service industry	Textile industry	Transport industry	Other	Total
YES	7	15	15	8	45
NO	1	1	0	24	26
MAYBE	0	5	2	22	29
Total	8	21	17	54	100

A total of 45 people have said that they have a business and 29 people out of a hundred said that they are not sure if anyone in their family has a business



Findings and Suggestions

- More than 45% of households across the nation have been reported an income drop as compared to the previous year. The Indian economy was expected to lose over the amount Rs. 32,000 crore every day during the first 21 days of complete the lockdown, which was declared following the corona virus outbreak
- India’s on-going GDP loses are likely to be approx (0.15 - 0.35 percent of GDP), as per data. With more than 20% cut off in benchmark indices; the Indian equity market has entered the bear market territory. In new corona virus has also driven investors to bid up bond prices, resulting in yields in major economies to inch lower.
- As we have seen many families out of the sample size I took of 100 people I found out that 45% of the families have a business and their life also depends on the money they get from doing a business. So it is important for the government to make other arrangements so that the businesses don’t stop and that everyone is able to make money and the trade cycle doesn’t stop.

Conclusion

The Indian economic activity must have been begin gradually after screening of the labour force. Strict preventive measures should be implemented by the each and every industry in order to safeguard the health of the workers. While policy and reforms should be doled out by the government adequately to salvage the economy, the industry, civil societies and communities have been an equal role in maintaining the equilibrium. The risk of a global recession due to covid-19 in 2020 and 2021 would be extremely it’s very high; it effects ass economic activities production, consumption and trade. The nature of shutdown the supply of the stock increased, product demands also increased automatically market supply is zero. Most of the industries are very struggle to run the industry, so the company gets the lower market demand.

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